

**MAKE-A-WISH FOUNDATION OF CENTRAL AND
WESTERN NC**

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2017 AND 2016

**MAKE-A-WISH FOUNDATION OF CENTRAL AND WESTERN NC
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation of Central and Western NC
Charlotte, North Carolina

We have audited the accompanying financial statements of Make-A-Wish Foundation of Central and Western NC, which comprise the statements of financial position as of August 31, 2017 and 2016, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Make-A-Wish Foundation of Central and Western NC

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Make-A-Wish Foundation of Central and Western NC as of August 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Calverton, Maryland
February 14, 2018

MAKE-A-WISH FOUNDATION OF CENTRAL AND WESTERN NC
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2017 AND 2016

	2017	2016
ASSETS		
ASSETS		
Cash and Cash Equivalents	\$ 1,654,538	\$ 1,386,772
Investments	2,220,311	2,038,620
Due from Related Entities	111,935	84,140
Prepaid Expenses	53,614	45,120
Contributions Receivable, Net	384,666	272,485
Other Assets	50,529	34,528
Property and Equipment, Net	12,538	20,205
Total Assets	\$ 4,488,131	\$ 3,881,870
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 275,000	\$ 243,343
Accrued Pending Wish Costs - Cash	1,203,479	1,006,498
Accrued Pending Wish Costs - In-kinds	1,117,535	901,764
Due to Related Entities	6,051	11,870
Capital Lease Obligations	5,034	7,768
Total Liabilities	2,607,099	2,171,243
NET ASSETS		
Unrestricted	1,131,308	1,108,952
Temporarily Restricted	749,724	601,675
Total Net Assets	1,881,032	1,710,627
Total Liabilities and Net Assets	\$ 4,488,131	\$ 3,881,870

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION OF CENTRAL AND WESTERN NC
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2017
(WITH SUMMARY TOTALS FOR YEAR ENDED AUGUST 31, 2016)

	2017			2016 Total
	Unrestricted	Temporarily Restricted	Total	
REVENUES, GAINS AND OTHER SUPPORT				
Public Support:				
Contributions, Net of Write-Offs	\$ 3,362,244	\$ 394,700	\$ 3,756,944	\$ 3,232,263
Grants	308,337	3,086	311,423	218,187
Total Public Support	<u>3,670,581</u>	<u>397,786</u>	<u>4,068,367</u>	<u>3,450,450</u>
Internal Special Events	1,768,633	338,211	2,106,844	2,215,317
Less Costs of Direct Benefits to Donors	(415,876)	-	(415,876)	(449,452)
Total Special Events	<u>1,352,757</u>	<u>338,211</u>	<u>1,690,968</u>	<u>1,765,865</u>
Investment Income, Net	182,765	-	182,765	90,134
Other Income	32,186	-	32,186	27,273
Net Assets Released from Restrictions	587,948	(587,948)	-	-
Total Revenues, Gains, and Other Support	<u>5,826,237</u>	<u>148,049</u>	<u>5,974,286</u>	<u>5,333,722</u>
EXPENSES				
Program Services:				
Wish Granting	4,729,672	-	4,729,672	4,173,222
Total Program Services	<u>4,729,672</u>	<u>-</u>	<u>4,729,672</u>	<u>4,173,222</u>
Support Services:				
Fundraising	864,297	-	864,297	766,829
Management and General	209,912	-	209,912	221,614
Total Support Services	<u>1,074,209</u>	<u>-</u>	<u>1,074,209</u>	<u>988,443</u>
Total Program and Support Services Expense	<u>5,803,881</u>	<u>-</u>	<u>5,803,881</u>	<u>5,161,665</u>
Change in Net Assets	22,356	148,049	170,405	172,057
Net Assets, Beginning of Year	<u>1,108,952</u>	<u>601,675</u>	<u>1,710,627</u>	<u>1,538,570</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,131,308</u></u>	<u><u>\$ 749,724</u></u>	<u><u>\$ 1,881,032</u></u>	<u><u>\$ 1,710,627</u></u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION OF CENTRAL AND WESTERN NC
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT			
Public Support:			
Contributions	\$ 2,945,255	\$ 287,008	\$ 3,232,263
Grants	218,187	-	218,187
Total Public Support	3,163,442	287,008	3,450,450
Internal Special Events	1,916,322	298,995	2,215,317
Less Costs of Direct Benefits to Donors	(449,452)	-	(449,452)
Total Special Events	1,466,870	298,995	1,765,865
Investment Income, Net	90,134	-	90,134
Other Income	27,273	-	27,273
Net Assets Released from Restrictions	571,011	(571,011)	-
Total Revenues, Gains, and Other Support	5,318,730	14,992	5,333,722
EXPENSES			
Program Services:			
Wish Granting	4,173,222	-	4,173,222
Total Program Services	4,173,222	-	4,173,222
Support Services:			
Fundraising	766,829	-	766,829
Management and General	221,614	-	221,614
Total Support Services	988,443	-	988,443
Total Program and Support Services Expense	5,161,665	-	5,161,665
Change in Net Assets	157,065	14,992	172,057
Net Assets, Beginning of Year	951,887	586,683	1,538,570
NET ASSETS, END OF YEAR	\$ 1,108,952	\$ 601,675	\$ 1,710,627

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION OF CENTRAL AND WESTERN NC
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 170,405	\$ 172,057
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	9,108	9,921
Net Realized and Unrealized Gains on Investments	(156,582)	(50,697)
Contributed Property and Equipment, Inventory and Investments	(13,314)	(16,079)
Changes in Assets and Liabilities:		
Contributions Receivable	(112,181)	(92,097)
Due from Related Entities	(27,795)	7,670
Prepaid Expenses	(8,494)	4,591
Other Assets	(2,687)	20,498
Accounts Payable and Accrued Expenses	31,657	97,970
Accrued Pending Wish Costs	412,752	502,143
Due to Related Entities	(5,819)	(18,032)
Net Cash Provided by Operating Activities	297,050	637,945
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(48,104)	(1,057,439)
Proceeds from Sales of Investments	22,995	19,073
Purchases of Property and Equipment	(1,441)	(1,265)
Net Cash Used in Investing Activities	(26,550)	(1,039,631)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligations	(2,734)	(2,539)
Net Cash Used in Financing Activities	(2,734)	(2,539)
 Net Increase (Decrease) in Cash and Cash Equivalents	267,766	(404,225)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,386,772	1,790,997
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,654,538	\$ 1,386,772
 Supplemental cash flow information:		
Cash paid for interest	\$ 487	\$ 681

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION OF CENTRAL AND WESTERN NC
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2017

	Program Services	Support Services			Total
	Wish Granting	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 3,740,389	\$ -	\$ -	\$ -	\$ 3,740,389
Salaries, Taxes, and Benefits	663,052	534,859	170,672	705,531	1,368,583
Printing, Subscriptions, and Publications	10,313	11,458	370	11,828	22,141
Professional Fees	13,071	9,566	6,816	16,382	29,453
Rent and Utilities	37,924	29,790	6,693	36,483	74,407
Postage and Delivery	1,776	3,346	299	3,645	5,421
Travel	14,080	15,738	2,747	18,485	32,565
Meetings and Conferences	37,144	50,573	462	51,035	88,179
Office Supplies	7,977	7,745	1,367	9,112	17,089
Communications	7,370	5,778	1,279	7,057	14,427
Advertising and Media (Cash)	-	21,564	-	21,564	21,564
Advertising and Media (In-Kind)	-	83,680	-	83,680	83,680
Repairs and Maintenance	232	182	41	223	455
Grants and Scholarships	60,000	-	-	-	60,000
National Partnership Dues	131,143	16,600	18,260	34,860	166,003
Miscellaneous	556	69,775	86	69,861	70,417
Depreciation and Amortization	4,645	3,643	820	4,463	9,108
Special Event Expenses	-	415,876	-	415,876	415,876
Investment Fees	-	-	22,995	22,995	22,995
	4,729,672	1,280,173	232,907	1,513,080	6,242,752
Less: Expenses Netted Against Revenues on the Statement of Activities:					
Special Event Expenses	-	(415,876)	-	(415,876)	(415,876)
Investment Fees	-	-	(22,995)	(22,995)	(22,995)
Total Expenses Included in the Expense Section of the Statement of Activities	\$ 4,729,672	\$ 864,297	\$ 209,912	\$ 1,074,209	\$ 5,803,881

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION OF CENTRAL AND WESTERN NC
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2016

	Program Services	Support Services			Total
	Total Program Services	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 3,358,676	\$ -	\$ -	\$ -	\$ 3,358,676
Salaries, Taxes, and Benefits	532,105	485,266	184,783	670,049	1,202,154
Printing, Subscriptions, and Publications	9,646	9,509	319	9,828	19,474
Professional Fees	10,811	8,860	6,938	15,798	26,609
Rent and Utilities	33,114	29,756	8,231	37,987	71,101
Postage and Delivery	1,755	2,659	401	3,060	4,815
Travel	9,705	22,637	3,186	25,823	35,528
Meetings and Conferences	63,272	41,917	1,708	43,625	106,897
Office Supplies	9,105	5,839	871	6,710	15,815
Communications	5,915	4,970	1,383	6,353	12,268
Advertising and Media (Cash)	483	28,250	-	28,250	28,733
Advertising and Media (In-Kind)	-	29,350	-	29,350	29,350
Repairs and Maintenance	1,582	1,412	393	1,805	3,387
Grants and Scholarships	25,000	-	-	-	25,000
National Partnership Dues	107,010	16,255	12,191	28,446	135,456
Miscellaneous	410	76,012	59	76,071	76,481
Depreciation and Amortization	4,633	4,137	1,151	5,288	9,921
Special Event Expenses	-	449,452	-	449,452	449,452
Investment Fees	-	-	19,073	19,073	19,073
	<u>4,173,222</u>	<u>1,216,281</u>	<u>240,687</u>	<u>1,456,968</u>	<u>5,630,190</u>
Less: Expenses Netted Against Revenues on the Statement of Activities:					
Special Event Expenses	-	(449,452)	-	(449,452)	(449,452)
Investment Fees	-	-	(19,073)	(19,073)	(19,073)
	<u>-</u>	<u>-</u>	<u>(19,073)</u>	<u>(19,073)</u>	<u>(19,073)</u>
 Total Expenses Included in the Expense Section of the Statement of Activities	 <u>\$ 4,173,222</u>	 <u>\$ 766,829</u>	 <u>\$ 221,614</u>	 <u>\$ 988,443</u>	 <u>\$ 5,161,665</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION OF CENTRAL AND WESTERN NC
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 1 ORGANIZATION

Make-A-Wish Foundation of Central and Western NC (the Foundation) is a North Carolina not-for-profit corporation, organized for the purpose of granting wishes to children with life-threatening medical conditions. The Foundation is an independently operating chapter of Make-A-Wish Foundation of America (National Organization), which operates to develop and implement national programs in public relations and fundraising for the benefit of all local chapters. In addition, the local chapter is obligated to comply with a chapter agreement with the National Organization and such guidelines, resolutions, and policies as may be adopted by the National Organization's board of directors.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP) applicable to not-for-profit entities.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Included in cash and cash equivalents at August 31, 2017 and 2016, is \$9,480 and \$9,476 of certificates of deposit, respectively, with an initial term of less than three months and \$1,085,087 and \$1,084,027, respectively, of money market mutual funds.

Investments

Investments are recorded at fair value. Investment income, including gains and losses on investments, is recorded as increases or decreases in unrestricted net assets unless its use is limited by donor-imposed restrictions or law.

Contributions Receivable

Contributions receivable are unconditional promises to give. Such promises that are expected to be collected within one year are recorded at expected net realizable value when the promise is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Contributions receivable are discounted using fair value rates and contributions are written off when deemed uncollectible.

Property and Equipment, Net

Property and equipment having a unit cost greater than \$1,000 and a useful life of more than one year are capitalized at cost when purchased. Donated assets are capitalized at the estimated fair value at the date of receipt and restrictions are released once the asset has been placed into service. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the time of acquisition. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally three to five years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the lease(s). The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

MAKE-A-WISH FOUNDATION OF CENTRAL AND WESTERN NC
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net (Continued)

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances indicate a long-lived asset may be impaired, the asset value will be reduced to fair value. Fair value is determined through various valuation techniques including quoted market values and third-party independent appraisals, as considered necessary.

Fair Value Measurements

Fair value measurements of financial assets and financial liabilities and fair value measurements of nonfinancial items are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Foundation determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets (or liabilities) that the reporting entity has the ability to access at the measurement date.
- Level 2 Inputs: Prices for a similar asset (or liability), other than quoted prices included in Level 1 inputs, that are observable for the asset (or liability), either directly or indirectly. If the asset (or liability) has a specified term, a Level 2 input must be observable for substantially the full term of the asset (or liability).
- Level 3 Inputs: Unobservable inputs for the asset (or liability) used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset (or liability) at measurement date.

See additional information in Note 3.

**MAKE-A-WISH FOUNDATION OF CENTRAL AND WESTERN NC
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

The Foundation's net assets and changes therein are classified and reported as follows:

- **Permanently restricted net assets** – Net assets subject to donor-imposed restrictions that the principal be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for unrestricted purposes.
- **Temporarily restricted net assets** – Net assets subject to restrictions imposed by donor or law that may be met either by actions of the Foundation or the passage of time.
- **Unrestricted net assets** – Net assets that are not subject to donor-imposed restrictions or law.

Revenue Recognition

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. Amortization of the discounts is recorded as additional contributions revenue. Conditional promises are recorded as revenue once the conditions are substantially met. Contributions, grants, and bequests are recognized as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. When restrictions are met in the same period as the contribution is received, the Foundation records the contribution and the expense as unrestricted. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

MAKE-A-WISH FOUNDATION OF CENTRAL AND WESTERN NC
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The Foundation received in-kind contributions of assets, services, and materials that are reported in the statement of activities as follows at August 31:

	Programs	Support Services		2017 Total
		Fundraising	Management and General	
Wish Related	\$ 1,642,473	\$ -	\$ -	\$ 1,642,473
Rent	11,455	8,985	2,022	22,462
Advertising and Media	-	83,680	-	83,680
Other	42,106	20,282	126	62,514
	<u>\$ 1,696,034</u>	<u>\$ 112,947</u>	<u>\$ 2,148</u>	1,811,129
Special Events				108,000
Change in Donated Inventory (Asset)				2,682
Change in Property and Equipment (Capitalized)				-
Change in In-Kind Contributions Receivable				99,631
Total				<u>\$ 2,021,442</u>

	Programs	Support Services		2016 Total
		Fundraising	Management and General	
Wish Related	\$ 1,359,959	\$ -	\$ -	\$ 1,359,959
Rent	9,340	8,340	2,320	20,000
Advertising and Media	-	29,350	-	29,350
Other	68,074	9,243	1,064	78,381
	<u>\$ 1,437,373</u>	<u>\$ 46,933</u>	<u>\$ 3,384</u>	1,487,690
Special Events				150,600
Change in Donated Inventory (Asset)				(3,891)
Change in Property and Equipment (Capitalized)				841
Change in In-Kind Contributions Receivable				96,329
Total				<u>\$ 1,731,569</u>

An internal special event is a fundraising event coordinated and staffed by Foundation personnel rather than a third-party support group or organization. It is designed to attract people for the purpose of raising mission awareness, for increasing funding from existing donors, and the cultivation of future donors. Internal special event in-kind amounts are donated items recorded at fair value that are used in facilitating the event. Examples of such donated items are generally food, beverage, facility costs, and auction items.

Advertising and media is used to help the Foundation communicate its message or mission and includes fundraising materials, informational material, or advertising, and may be in the form of an audio or videotape of a public service announcement, a layout for a newspaper, media time or space for public service announcements, or other purposes.

Donated advertising and media is reported as contribution revenue and fundraising or public information expense when received and the reporting of such contributions is unaffected by whether the Foundation could afford to purchase or would have purchased the assets at their fair value. The Foundation had \$105,244 and \$57,600 of advertising expense for the years ended August 31, 2017 and 2016, respectively.

MAKE-A-WISH FOUNDATION OF CENTRAL AND WESTERN NC
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Foundation is a not-for-profit organization exempt from federal income and North Carolina income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Section 55A of the General Statutes of North Carolina. However, the Foundation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

Management believes that no uncertain tax positions exist for the Foundation at August 31, 2017 and 2016.

Functional Expenses

The Foundation performs three functions: wish granting, fundraising, and management and general. Definitions of these functions are as follows:

Wish Granting

Activities performed by the Foundation in granting wishes to children with life-threatening medical conditions.

Fundraising

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations. During the fiscal years ended August 31, 2017 and 2016, the Foundation incurred no significant joint costs for activities that include fundraising appeals.

Management and General

All costs not identifiable with a specific program or fundraising activities, but indispensable to the conduct of such programs and activities and to the Foundation's existence, are included as management and general expenses. This includes expenses for the overall direction of the Foundation, business management, general recordkeeping, budgeting, financial reporting, and activities relating to these functions such as salaries, rent, supplies, equipment, and other expenses.

Expenses that benefit more than one function of the Foundation are allocated among the functions based generally on the amount of time spent by employees on each function.

MAKE-A-WISH FOUNDATION OF CENTRAL AND WESTERN NC
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the valuation of investments, contributions receivable, in-kind contributions, accrued pending wish costs net of attrition, whether an allowance for uncollectible contributions receivable is required and the allocation of expenses to their functional categories.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

NOTE 3 FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments

Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair values of the financial instruments as of August 31, 2017 and 2016, represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Foundation's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Foundation based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, and available observable and unobservable inputs.

MAKE-A-WISH FOUNDATION OF CENTRAL AND WESTERN NC
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy

The following table presents the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis at August 31, 2017:

	Fair Value Measurements at August 31, 2017			
	(Level 1)	(Level 2)	(Level 3)	Total
Assets:				
Recurring:				
Cash:				
Cash and Cash Equivalents	\$ 78,223	\$ -	\$ -	\$ 78,223
Investments:				
Mutual Funds:				
Domestic Equity	819,056	-	-	819,056
International Equity	435,713	-	-	435,713
Real Estate	91,077	-	-	91,077
Asset Allocation	297,983	-	-	297,983
Commodities	61,038	-	-	61,038
Bonds	437,221	-	-	437,221
Total	\$ 2,220,311	\$ -	\$ -	\$ 2,220,311

The following table presents the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis at August 31, 2016:

	Fair Value Measurements at August 31, 2016			
	(Level 1)	(Level 2)	(Level 3)	Total
Assets:				
Recurring:				
Cash:				
Cash and Cash Equivalents	\$ 70,579	\$ -	\$ -	\$ 70,579
Investments:				
Mutual Funds:				
Domestic Equity	616,223	-	-	616,223
International Equity	373,889	-	-	373,889
Real Estate	94,701	-	-	94,701
Asset Allocation	380,248	-	-	380,248
Commodities	58,942	-	-	58,942
Bonds	444,038	-	-	444,038
Total	\$ 2,038,620	\$ -	\$ -	\$ 2,038,620

MAKE-A-WISH FOUNDATION OF CENTRAL AND WESTERN NC
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NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Total investment income, gains, and losses for the years ended August 31, 2017 and 2016, consist of the following:

	2017	2016
Interest and Dividend Income	\$ 49,178	\$ 58,510
Realized and Unrealized Gain (Loss), Net	156,582	50,697
Less Investment Expenses	(22,995)	(19,073)
Investment Income (Loss), Net	<u>\$ 182,765</u>	<u>\$ 90,134</u>

NOTE 4 CONTRIBUTIONS RECEIVABLE

The Foundation's contributions receivable at August 31, 2017 and 2016, was \$384,666 and \$272,485, respectively. All contributions receivable are due within the next twelve months. Management determined that all contributions receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at August 31, 2017 and 2016.

NOTE 5 TRANSACTIONS WITH RELATED ENTITIES

The National Organization conducts national fundraising efforts for which cash and in-kind donations are received and shared with the Foundation. These funds represent revenues associated with: distributions from national partners, individual donation amounts collected via online and white mail donations, amounts for internal grants, travel and training scholarships, amounts to fund the Adopt-A-Wish® program, and other miscellaneous revenues. During the years ended August 31, 2017 and 2016, the Foundation received \$933,172 and \$665,443, respectively, from these national revenue streams.

As part of the National Organization's Wish Fulfillment Fund, chapters may apply for funds that have been donated by other chapters to underwrite the cost of wishes. Under this program, the Foundation contributed \$60,000 and \$25,000 during the years ended August 31, 2017 and 2016, respectively.

Conversely, the Foundation pays amounts to the National Organization for chapter dues, insurance, and other miscellaneous ancillary expenses that Make-A-Wish Foundation of America pays on behalf of the Foundation and for services provided by the National Organization. Amounts totaling \$183,121 and \$139,956 were paid from the Foundation to the National Organization during the years ended August 31, 2017 and 2016, respectively.

Chapters who assist with the organization and granting of wishes from other chapters are paid a "fee for service" called the wish assist fee. Under this program, the originating chapter agrees to pay a fee to the chapter of the wish destination to assist with any planning, booking and facilitating of the wish for the home chapter. Under this program, the Foundation received \$7,150 and \$5,100 for the years ended August 31, 2017 and 2016, respectively, which is recorded in the accompanying statements of activities as other income.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 5 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

Amounts due from and to related entities are as follows:

	<u>2017</u>	<u>2016</u>
Balance at August 31:		
Due from National Organization	\$ 105,797	\$ 78,598
Due from Other Chapters	6,138	5,542
Total Due from Related Entities	<u>\$ 111,935</u>	<u>\$ 84,140</u>
Due to National Organization	\$ -	\$ -
Due to Other Chapters	6,051	11,870
Total Due to Related Entities	<u>\$ 6,051</u>	<u>\$ 11,870</u>

Amounts due from the National Organization represent contributions remitted to the National Organization that are identified for the Foundation's use but were not yet transferred to the Foundation as of year-end. Amounts due from other chapters represent amounts paid in assisting other chapters with their wish granting. Amounts due to other chapters represent amounts owed to other chapters who have assisted in the granting of wishes for the Foundation. Amounts due to the National Organization generally represent unpaid chapter dues and services.

During 2017 and 2016 the Foundation received contributions, both cash and in-kind, from board members totaling \$41,068 and \$44,564, respectively. There were no amounts due from board members in 2017 and 2016. No amounts were paid to related parties for goods and services used in the Foundation's operations in 2017 and 2016.

NOTE 6 PROPERTY AND EQUIPMENT, NET

Property and equipment as of August 31 consist of the following:

	<u>2017</u>	<u>2016</u>
Computer Equipment and Software	\$ 45,902	\$ 44,461
Office Furniture	4,865	4,865
Other Equipment	17,620	17,620
Leasehold Improvements	6,906	6,906
	<u>75,293</u>	<u>73,852</u>
Less Accumulated Depreciation and Amortization	(62,755)	(53,647)
Property and Equipment, Net	<u>\$ 12,538</u>	<u>\$ 20,205</u>

Depreciation and amortization expense totaled \$9,108 and \$9,921 for the years ended August 31, 2017 and 2016, respectively.

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NOTE 7 ACCRUED PENDING WISH COSTS

The Foundation accrues for estimated costs of reportable pending wishes when five certain measurable wish criteria are met. Prior to meeting these five criteria, the wish is not considered an obligation due to the inherent uncertainties surrounding these criteria and is therefore not accrued as a pending wish. This accrual does not represent a legally binding liability, but is considered a moral obligation to the child by the Foundation arising when the five criteria are met. Reportable pending wish criteria include:

1. Receiving a referral,
2. Obtaining the required medical eligibility form,
3. Contact with the wish family has occurred to determine the prospective wish,
4. Determination that the wish falls within the National Organization's wish granting policy, and
5. The wish is expected to be granted within the next 12 months.

Estimated cash and in-kind costs are accrued as pending wish liability at year-end for all reportable pending wishes. The in-kind portion of the pending wish liability includes the estimated in-kind expenses that are expected to be incurred in fulfilling each wish even though the matching in-kind revenues are not recognized until the in-kind goods or services, or an unconditional promise for those in-kind goods or services, are received. Although not fully guaranteed, if the related expected in-kind revenue were recognized in the same fiscal period as the expected in-kind expense, total net assets at August 31, 2017 would be increased by \$1,117,535 resulting in adjusted net assets of \$2,998,567.

The Foundation, as part of its estimate of accrued pending wish costs, also considers attrition on pending wish costs. An attrition rate is calculated by the Foundation by analyzing the trend of wishes that have been accrued for using the five criteria discussed above that have not been able to be completed within the past twelve months due to factors outside of the control of the chapter, such as the death of a child, the move of the family out of the chapter's territory, or loss of contact with the family. As of August 31, 2017 and 2016, the Foundation had 241 and 203 reportable pending wishes, respectively.

MAKE-A-WISH FOUNDATION OF CENTRAL AND WESTERN NC
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NOTE 8 LEASES

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through April 2019. As of August 31, 2017 and 2016, the cost of leased property and equipment under capital leases was \$13,961 and accumulated depreciation was \$8,927 and \$6,192, respectively. Total rent expense for all operating leases for the years ended August 31, 2017 and 2016, totaled \$37,824 and \$36,723, respectively.

Future minimum lease payments under capital and operating leases having remaining terms in excess of one year are as follows:

<u>Year Ending August 31:</u>	<u>Operating Leases</u>	<u>Capital Leases</u>
2018	\$ 38,959	\$ 3,221
2019	16,432	2,147
Thereafter	-	-
Total Minimum Lease Payments	<u>55,391</u>	<u>5,368</u>
Less Amounts Representing Interest	-	(334)
Present Value of Net Minimum Lease Payments	<u>\$ 55,391</u>	<u>\$ 5,034</u>

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes for the year ended August 31:

	<u>2017</u>	<u>2016</u>
Time Restrictions	\$ 346,938	\$ 348,250
Purpose Restrictions	402,786	253,425
Total Temporarily Restricted Net Assets	<u>\$ 749,724</u>	<u>\$ 601,675</u>

NOTE 10 RETIREMENT PLAN

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after reaching 21 years of age and upon completion of one year of service. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. The Foundation matches employee contributions up to 3% of the employee's salary. Foundation contributions to the Plan for the years ended August 31, 2017 and 2016, were \$25,241 and \$22,088, respectively.

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NOTE 11 CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of cash, cash equivalents, and investments. The Foundation places its cash and investments with high credit quality financial institutions and generally limits the amount of credit exposure not to exceed the FDIC insurance coverage limit of \$250,000. From time to time throughout the year, the Foundation's cash balances may exceed the amount of the FDIC insurance coverage.

In-kind contributions totaling \$941,806 and \$752,601 were received from a single donor for the years ended August 31, 2017 and 2016, respectively, which represents 23% and 22%, respectively, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

NOTE 12 LITIGATION AND CLAIMS

The Foundation is periodically involved in litigation and claims arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Foundation's financial position, change in net assets, or liquidity.

NOTE 13 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through February 14, 2018, the date at which the financial statements were available to be issued.